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December 16, 2009

VIA ELECTRONIC FILING

Charles L.A. Terreni
Chief Clerk/Administrator
State of South Carolina Public Service Commission
101 Executive Center Drive, Suite 100
Columbia, SC 29210

Re: Petition of TracFone Wireless, Inc. for Designation as an Eligible Telecommunications Carrier for the Limited Purpose of Offering Lifeline Service to Qualified Households
Docket No. 2009-144-C

Dear Mr. Terreni:

This letter is submitted jointly in the above-captioned matter by petitioner, TracFone Wireless, Inc. ("TracFone") and by the South Carolina Office of Regulatory Staff ("ORS"). Attached is a joint proposal to resolve the issues that were raised in the instant case. TracFone and ORS request that the Commission review and approve the proposed resolution. TracFone will submit separately verified testimony in support of the proposal.

Should you have any questions or require additional information, the parties are prepared to provide any necessary information.

Respectfully submitted,

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PROPOSAL

TracFone Wireless, Inc. ("TracFone") has applied to the South Carolina Public Service Commission ("PSC" or "Commission") for designation as an Eligible Telecommunications Carrier ("ETC") for the limited purpose of providing Lifeline service to low-income South Carolina households. If designated as an ETC, TracFone would use support from the federal Universal Service Fund ("Federal USF") to provide its SafeLink Wireless® Lifeline service, consisting of free wireless handsets and free monthly allotments of minutes of wireless airtime. It would not seek and would not accept support from the South Carolina Universal Service Fund ("State USF").

Background. Under prior decisions of the PSC, commercial mobile service providers (wireless carriers) are not required to contribute to the State USF. However, the PSC has established a limited exception to the general inapplicability to wireless carriers of the State USF contribution requirement. If a wireless carrier is designated as a Carrier of Last Resort or as an ETC, it is deemed by the PSC to be indicating intent to compete with wireline local exchange carriers and is required to contribute to the State USF. Where one company owns both a carrier which has been designated as an ETC and therefore subject to State USF contribution obligations, and a wireless carrier which is not an ETC and therefore not subject to State USF contribution obligations, the ETC is required to contribute to the State USF based on intrastate revenues paid to it by its customers. The commonly-owned wireless carrier is not required to contribute. For example, AT&T Communications owns both BellSouth -- an ETC, and AT&T Mobility - - a major provider of wireless service in South Carolina (and a significant competitor of TracFone), but not an ETC. AT&T/BellSouth - the incumbent local exchange carrier (ILEC) -- is required to contribute to the State USF on its intrastate telecommunications service revenues. However, AT&T Mobility -- AT&T's wireless provider -- is not required to contribute to the State USF.

Proposal. TracFone will establish a separate and distinct corporate affiliate. That company may be named SafeLink Wireless of South Carolina, Inc., or another similar name. TracFone will file in the current ETC docket (Docket No. 2009-144-C) an amendment to its pending ETC application assigning that application to the new entity which will adopt the application in all respects. Simultaneously, it will file this agreement which has been executed by TracFone and ORS. It will also file verified testimony which describes the transaction and the newly-established company. The Commission will then issue a notice inviting comment on the proposed assignment of the ETC application to the new company and on the agreement. If no comments are received within the notice period, the Company may request the Commission to act on the amended application without holding a hearing. SafeLink Wireless of South Carolina, Inc.'s only business activity will be to provide SafeLink Wireless Lifeline service to qualified low-income South Carolina households. Like other wireless ETCs, SafeLink Wireless of South Carolina will be required to contribute to the State USF on revenues earned from South Carolina consumers. Like other wireless carriers operating in South Carolina, TracFone will not be required to contribute to the State USF. SafeLink Wireless of South Carolina, Inc. will not be entitled to receive support from the State

USF. SafeLink Wireless of South Carolina, Inc. will be subject to all South Carolina laws, regulations and policies governing ETCs in general and the provision of Lifeline service in particular.

Lifeline customers of SafeLink Wireless of South Carolina, Inc. will receive free wireless handsets and 65 minutes of free airtime per month. In addition, those customers will be allowed to acquire additional minutes of wireless airtime by purchasing any TracFone airtime product sold at retail vendors in South Carolina (as well as other states). However, TracFone's computer system will identify the purchasers as SafeLink Wireless of South Carolina, Inc. customers at the time of activation and will provide sufficient additional minutes such that the price paid by SafeLink Wireless of South Carolina, Inc. customers never exceeds \$0.10 per minute, irrespective of the face price of the purchased airtime card.

SafeLink will verify that each consumer is eligible to participate in the Lifeline program by requiring each customer to certify at the time of service activation and annually thereafter that the customer meets the following criteria: 1) the customer is the head of household; 2) the customer meets the Lifeline eligibility requirements of South Carolina and; 3) the customer receives Lifeline supported service from only SafeLink. SafeLink may not use a statistically valid sample procedure to annually verify the customer meets the above criteria. However, the parties to this agreement recognize that TracFone has filed with the Federal Communications Commission ("FCC") a petition requesting modification to the condition imposed by the FCC that TracFone verify annually that each of its Lifeline customers remains head of household and receives Lifeline-supported service only from TracFone. In the event that the FCC grants that petition, the parties acknowledge that TracFone may then seek Commission approval of annual verification procedures consistent with those approved by the FCC.

In order to implement the proposal described in the preceding paragraph, TracFone has asked the Federal Communications Commission (FCC) to affirm that its exercise of its authority to forbear from application or enforcement of the facilities-based service requirement for ETCs codified at Section 214(e)(1)(A) of the Communications Act of 1934, as amended, and Section 54.201(i) of the FCC's rules with respect to TracFone would be applicable to TracFone and to commonly-owned affiliates and subsidiaries of TracFone including, for example, SafeLink Wireless of South Carolina, Inc. The FCC has confirmed that the Forbearance and associated conditions will apply to SafeLink Wireless of South Carolina. TracFone will provide an affidavit to ORS to this effect. Under this proposal, TracFone and SafeLink Wireless of South Carolina, Inc. will agree and will represent to the FCC and to the PSC that all conditions and limitations imposed on TracFone by the FCC in its 2005 order granting forbearance will be applicable to all affiliates and subsidiaries, including SafeLink Wireless of South Carolina, Inc. This would include such conditions as the requirement that all customers are provided with E911-compliant handsets and that the ETC obtain certification that its customers will have access to 911 and E911 without regard to activation status or availability of prepaid minutes. The ETC would also be required to verify annually that its customers remain head of household and only receive Lifeline-supported service from TracFone. The FCC staff has notified TracFone that the FCC's Forbearance Order,

including the conditions contained in that order, is applicable to TracFone and to affiliated companies.

ORS will support the application of SafeLink Wireless of South Carolina, Inc. for designation as a Lifeline-only ETC and will recommend to the PSC that SafeLink Wireless of South Carolina, Inc.'s application for ETC designation be approved subject to the following conditions:

- a) SafeLink will provide a quarterly report to ORS and the Commission which identifies the aggregate number of Lifeline customers by county receiving SafeLink service during the quarter, the method of eligibility verification provided by the customer at service activation (TANF, Medicaid, Foodstamps), the aggregate number of Lifeline customers by county annually verified during the reporting period and the outcome of the verification process (pass/fail).
- b) One year following the Commission's order designating the new company as an ETC, representatives of the company and ORS will meet to review the Lifeline program.